

LEGISLATIVE AND STATE BUDGET PRIORITIES OF THE COMMISSION, 1993



CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

Summary

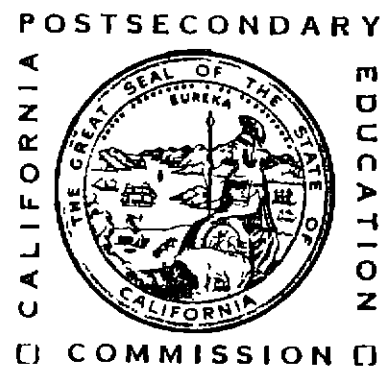
Early in each of the past several years, the Commission has adopted statements of its priorities regarding the State Budget and legislation for the year, in order to help guide the staff in its dealing with budget and legislative officials. Because of the major impact of budgetary decisions on legislation, the Commission discusses both budget and legislative priorities in this single document for 1993. The four priorities are (1) reexamination of the State's student fee policy, (2) appropriate levels of student financial aid, (3) adequate funding for anticipated enrollments, and (4) implementation of the federal reauthorization of the Higher Education Act.

The Commission adopted this report at its meeting of February 22, 1993, on recommendation of its Governmental Relations Committee. Additional copies of the report may be obtained from the Commission at 1303 J Street, Suite 500, Sacramento, California 95814-2938.

LEGISLATIVE AND STATE BUDGET PRIORITIES OF THE COMMISSION, 1993

*A Report of the California Postsecondary
Education Commission*

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
1303 J Street ♦ Suite 500 ♦ Sacramento, California 95814-2938





**COMMISSION REPORT 93-1
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LEGISLATIVE AND STATE BUDGET PRIORITIES OF THE COMMISSION, 1993

EACH YEAR the California Postsecondary Education Commission adopts a set of priorities to guide its staff activities in working with the Governor and the Legislature in the development of the budget for the following year and the consideration of other legislation of importance to higher education. The Commission's budget and legislative priorities are guided both by the Commission's workplan for the coming year and by the priorities established by the Governor and the Legislature as they consider higher education during the coming year.

This legislative session will mark the third year that the Governor and Legislature face a potential budget deficit which threatens State support for higher education. Recognizing that the existing budget development process is severely constrained by existing spending limitations and a revenue base unable to keep pace with the growing needs of the State's population, California higher education is particularly vulnerable to another year of further budget reductions in 1992-93.

The 1992 Budget Act included no new general tax revenue and reduced State General Fund expenditures largely through reducing State government, cutting funding for higher education, and eliminating or cutting certain health and welfare programs. While the Governor and the Legislature sought to maintain funding for the State's schools and to ensure public safety, those enterprises were also compromised. Although local governmental entities received more statutory authority and oversight of State and local programs, State aid to local governments was reduced. As the Governor and the Legislature look to the development of the 1993-94 Budget, they will become increasingly aware of the dimensions of the State's funding dilemma: how, with limited resources, can the State maintain its ability to fund needed public services to a growing and diverse population?

In its 1990 planning document, *Higher Education at the Crossroads*, the Commission identified the tremendous growth projected by the Demographic Research Unit of the State Department of Finance in the State's eligible college student population -- some 700,000 new students by 2005 (64,000 more at the University of California, 134,000 at the California State University, and 600,000 more at the California Community Colleges). More recently, in October 1992, the Commission estimated that, based on

improvements in the 1990 eligibility rates for the University and State University, even more students than the Department of Finance had projected will be seeking to enroll in California's public universities. Moreover, these students will be from more racially and ethnically diverse backgrounds than in the past.

This growth will be occurring at a time when the State's capacity to accommodate it is questionable, given the State's existing tax structure and its current level of support for higher education. If allowed to continue without a change in course, California's opportunity to invest in and subsequently benefit from this expansion in the potential productivity of its citizenry may be lost.

The 1993-94 State Budget may represent the pivotal crossroad for California higher education. The Master Plan goal of providing a quality education to all eligible students has been compromised by inadequate support for higher education. With the prospects for a third year of budget reductions, California's colleges and universities face the possibility that thousands of students will be denied access to higher education. To support existing programs and services, the governing boards of the three public systems have submitted budget proposals to the Governor requesting \$119.5 million or a 6.3 percent increase for the University of California, \$201.4 million or a 13.3 percent increase for the California State University, and \$304.8 million in local assistance (representing a 4 percent increase in cost-of-living allowances and growth funding) for the California Community Colleges. Given the current economic recession and the State's revenue condition, it is unlikely that the systems will receive the level of General Fund support they have requested.

The policy debate by the Governor and the Legislature this year will focus on the tension between limited available resources and expanding demand for higher education. The primary task of the Commission is to provide legislators and the Governor useful and timely advice to assist them in making the hard policy decisions that will have to be made in 1993. Within the context of this budget dilemma, the Commission's budget and legislative priorities will therefore place particular emphasis on the following four policy areas during the 1993-94 legislative session:

**1. Reexamination
of the State's
student fee policy**

California has historically maintained a commitment to provide a "tuition-free" low-cost publicly supported system of higher education, with *tuition* defined as any monies assessed to pay the direct cost of instruction. This low-fee philosophy provided what was believed to be one of the best vehicles available for providing access to higher education. In 1989, the Legislature's Joint Committee for Review of the Master Plan for California Higher Education reaffirmed the State's low-fee no-tuition philosophy.

but noted that students in all three public segments should bear a portion of the total cost of their education

The current fee policy for residents at California's public universities stipulates that the State shall bear the primary responsibility for the cost of providing higher education but that students should be responsible for a portion of those costs. It calls for fee increases to be gradual, moderate, and predictable, not exceeding 10 percent in any one-year period, and announced at least ten months in advance.

In terms of adjustments to the fee level, the policy calls for fee increases to be indexed to the three-year moving average of changes in State support per full-time-equivalent student, using either (1) all State support for each system except lottery revenue, capital outlay, and financial aid, or (2) all State support budget appropriations for each system except lottery revenue, appropriated revenues, and payments on capital outlay, revenue bonds, financial aid, instruction, organized activities, research, public services, and teaching hospitals (Section 66158 of the Education Code). It also states that should "State revenues and expenditures become substantially imbalanced due to factors unforeseen by the Governor and the Legislature

the Trustees of the California State University, the Regents of the University of California, and the Board of Directors of the Hastings College of the Law may increase or decrease mandatory systemwide student fees by an amount not to exceed 10 percent of the amount of the fee fixed the prior year."

For the past two years, the State has not followed this statutorily prescribed student fee policy for the University of California and the California State University. Student fees at the University of California increased by 60 percent (\$1,200) during the past two years, moving from \$1,624 in Fall 1990 to \$2,824 in Fall 1992. California State University fees also increased by 60 percent (\$528) over the two years, moving from \$780 in 1990-91 to \$1,308 in 1992-93.

In 1984, the State established a systemwide enrollment fee for community college students of \$50 per semester for those enrolling in six or more semester units and \$5 per unit for those enrolled in less than six. This new statute also eliminated many of the campus-based charges that were imposed at that time, including those for health and course additions. Legislation enacted in 1990 extended this policy through January 1, 1995. Because of the budget deficit in 1991-92, the community colleges were also directed to charge a one-year surcharge of an additional \$1 per unit. Consequently, community college students paid \$6 per unit, up to a maximum of \$60 per semester, in 1991-92. Because of the budget deficit in 1992-93, the community college fee was increased to \$10 per unit, effective January 1993, with no limit on the maximum amount charged students.

As part of the final agreement on the 1992-93 budget, the State directed its public colleges and universities to charge duplicate degree tuition to students who are enrolled in a course of study leading to a degree at the same or lower level than any degree they already hold. For the two public universities, students will pay "duplicate-degree tuition," which is to be set by the governing boards at not less than the system's marginal cost per student and at not more than the level of nonresident tuition. At the community colleges, this policy will apply to students who hold a baccalaureate degree, with the students paying \$50 per unit. Under the provisions of this duplicate-degree tuition policy, exemptions are provided to (1) dislocated workers, (2) displaced homemakers, (3) individuals enrolled in their first credential program, and (4) recipients of AFDC, SSI/SSP, or general assistance.

The Commission was directed by Supplemental Language to the 1991-92 Budget Act to review student fee and financial aid policies in California. This review is to include a "discussion of future state policy on who should pay what share of the costs of higher education" as well as a consideration of "the relative advantages or disadvantages of raising student tuition as a source of general fund revenue as contrasted with maintaining reduced funding for the current Master Plan missions." At its February meeting, the Commission will begin to discuss this report and develop recommendations regarding student fee policy. Commission staff will work with representatives of the higher educational institutions, the students, the Legislature, and the Governor's Office to implement the Commission's recommendations for a revised and more effective student fee policy in 1993.

2. Appropriate levels of student financial aid

In 1990, the Legislature amended the Donahoe Higher Education Act to include a specific policy about State-funded financial aid. This policy (stated in Section 66021.2 of the Education Code) indicates

Consistent with the state's historic commitment to provide educational opportunity by ensuring both student access to and selection of an institution of higher education for students with financial need, the long-term Cal Grant policy shall be as follows

- (a) the number of first-year awards shall be equal to at least one-quarter of the number of graduating high school seniors,
- (b) the maximum award for students attending the University of California and the California State University shall, at a minimum, equal the mandatory systemwide and campus-based student fees in each of those segments, and
- (c) the maximum award for students attending nonpublic institutions shall be set and maintained at the estimated average General Fund cost of educating a student at the public four-year institutions of higher education

During the past two years, California has moved farther and farther away for the implementation of this policy. To illustrate, in the 1991-92 fiscal year, the Student Aid Commission reported that

- 1 Approximately one in four students eligible for a Cal Grant award actually receives one
- 2 The size of the maximum award for students attending nonpublic institutions is about \$2,000 less than the level called for in State statute. Consequently, the percentage of Cal Grant recipients attending the State's independent institutions has declined in recent years
- 3 Within the context of existing state policy, the Cal Grant programs are underfunded by approximately \$50 million

The 1992-93 budget for Cal Grants was reduced by 15 percent, despite the fact that student fees were increased substantially in all systems of public higher education. In addition, the size of the maximum federal grant for low-income students was reduced from \$2,400 to \$2,300. The net effect of these budgetary actions has been to reduce the amount of financial aid available to low-income students at exactly the same time the costs of attendance are increasing.

As part of the Commission's work on student fee policy, the Commission will also be examining alternative student financial aid policies. These alternatives will be discussed by the Commission at its February meeting. Following this meeting, Commission staff will work with representatives of the educational institutions, the students, the Legislature, and the Governor's Office to implement a student financial aid policy that places financial assistance for low-income students among the highest priorities in the 1993-94 higher education budget decisions.

3. Adequate funding for anticipated enrollments

One of the fundamental issues in higher education during the past two years has been the restrictions on access to the public colleges and universities for eligible and motivated students. The California State University has documented this most recently in its *Support Budget 1993-94*, stating (p. 10)

In spite of increasing demand, CSU's enrollment has declined more than 30,000 FTES (approximately 42,000 to 45,000 individual students) over the past two years.¹ The CSU hasn't served as few as 247,000 FTES since 1985. Just two years ago, before today's emerging budget realities, the Department of Finance's 1990 Series projected that almost 376,000 individual students would enroll in the CSU in Fall 1992. Campuses now estimate that fewer than 350,000 students are enrolled at CSU campuses in Fall 1992.

The California Community Colleges reported in Spring 1992 that more

than 100,000 prospective students were turned away in the previous academic year. The University of California has begun to implement an enrollment management plan that will reduce actual enrollments by 4,000 students over the next two years. In short, at the same time that California's colleges and universities should be implementing growth plans, the institutions are forced by budget constraints to restrict access and reduce enrollments.

One of the major priorities for the Commission this year is to work with the educational institutions in presenting the best case possible that, at a minimum, funding for existing enrollments should be maintained, and, if possible, funding for additional enrollments should be provided. Executive Director Fox has been working with his counterparts on the Education Round Table in the development of a policy statement on this issue, to be released in the near future. At subsequent meetings of the Governmental Relations Committee, Commission staff will submit specific proposals to make progress in this area.

4. Implementation of the reauthorized federal Higher Education Act

This past July, President Bush signed legislation to reauthorize the federal Higher Education Act of 1965. This new federal law makes several important changes in federally funded student financial aid programs and it also requires the establishment of a state postsecondary review program.

California's State-funded Cal Grant student financial aid programs are currently designed to supplement the federally funded programs, and changes in the federal methodology for determining eligibility for financial aid will also affect the eligibility provisions under the State-funded programs. In general, the changes in the federal law expand the eligibility provisions to include a greater number of students. However, the overall amount of available federal money for financial aid has not changed. The full impact of these changes in federal student aid programs on California's students and educational institutions is not clear. However, it appears that some revisions are needed in the State-funded programs to ensure that State priorities are receiving the highest attention.

California is directed under the new federal law to designate a single point of contact -- a "state postsecondary review entity" -- that will develop standards and conduct or coordinate reviews of colleges, universities, and vocational schools in the State. The purpose of this new provision is to strengthen State oversight of postsecondary institutions that participate in federally funded student aid programs, so that institutions are reviewed against a range of educational standards, including the quality and content of their courses or programs of instruction.

Each state has the flexibility under the new federal law to establish a state postsecondary review entity that is most appropriate to "the needs, tradi-

tions, and circumstances'' of the state California's Education Code needs to be amended to designate the postsecondary review entity and to identify how the State will implement this new function

The Commission has established a working group with representatives from the central offices of California's postsecondary systems to develop a proposal on how to proceed in adjusting State law to implement the provisions of the new federal law Assemblymember Lee has introduced AB 47 to implement changes in California's Education Code that would identify the Commission as California's postsecondary education review entity and to comply with other provisions of the federal law The Commission staff will work with Assemblymember Lee and the members of the Commission's working group to implement the needed changes in the Education Code

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

THE California Postsecondary Education Commission is a citizen board established in 1974 by the Legislature and Governor to coordinate the efforts of California's colleges and universities and to provide independent, non-partisan policy analysis and recommendations to the Governor and Legislature

Members of the Commission

The Commission consists of 17 members. Nine represent the general public, with three each appointed for six-year terms by the Governor, the Senate Rules Committee, and the Speaker of the Assembly. Six others represent the major segments of postsecondary education in California. Two student members will be appointed by the Governor.

As of January 1993, the Commissioners representing the general public are

Helen Z Hansen, Long Beach, *Chair*
Henry Der, San Francisco, *Vice Chair*
Mim Andelson, Los Angeles
C Thomas Dean, Long Beach
Mari-Luci Jaramillo, Emeryville
Lowell J Paige, El Macero
Tong Soo Chung, Los Angeles
Stephen P Teale, M D , Modesto

Representatives of the segments are

Alice J Gonzales, Rocklin, appointed by the Regents of the University of California,
Yvonne W Larsen, San Diego, appointed by the California State Board of Education,
Timothy P Haidinger, Rancho Santa Fe, appointed by the Board of Governors of the California Community Colleges,
Ted J Saenger, San Francisco, appointed by the Trustees of the California State University, and
Harry Wugalter, Ventura, appointed by the Council for Private Postsecondary and Vocational Education

Functions of the Commission

The Commission is charged by the Legislature and Governor to "assure the effective utilization of public postsecondary education resources, thereby eliminating waste and unnecessary duplication, and to promote diversity, innovation, and responsiveness to student and societal needs."

To this end, the Commission conducts independent reviews of matters affecting the 2,600 institutions of postsecondary education in California, including community colleges, four-year colleges, universities, and professional and occupational schools.

As an advisory body to the Legislature and Governor, the Commission does not govern or administer any institutions, nor does it approve, authorize, or accredit any of them. Instead, it performs its specific duties of planning, evaluation, and coordination by cooperating with other State agencies and non-governmental groups that perform those other governing, administrative, and assessment functions.

Operation of the Commission

The Commission holds regular meetings throughout the year at which it debates and takes action on staff studies and takes positions on proposed legislation affecting education beyond the high school in California. By law, its meetings are open to the public. Requests to speak at a meeting may be made by writing the Commission in advance or by submitting a request before the start of the meeting.

The Commission's day-to-day work is carried out by its staff in Sacramento, under the guidance of its executive director, Warren H Fox, Ph D , who is appointed by the Commission.

The Commission issues some 20 to 30 reports each year on major issues confronting California postsecondary education. Recent reports are listed on the back cover. Further information about the Commission and its publications may be obtained from the Commission offices at 1303 J Street, Suite 500, Sacramento, California 95814-2938, telephone (916) 445-7933.



LEGISLATIVE AND STATE BUDGET PRIORITIES OF THE COMMISSION, 1993

Commission Report 93-1

ONE of a series of reports published by the California Postsecondary Education Commission as part of its planning and coordinating responsibilities. Single copies may be obtained without charge from the Commission at 1303 J Street, Fifth Floor, Sacramento, California 95814-2938. Recent reports include

- 92-19 *Approval of the Lemoore Center of the West Hills Community College District. A Report to the Governor and Legislature in Response to a Request from the Board of Governors to Recognize the Center as the Official Community College Center for the Lemoore/Hanford Area of Kings County* (August 1992)
- 92-20 *Commission Comments on the Systems' Final Funding Gap Reports. A Second Report to the Legislature and the Governor in Response to Supplemental Report Language of the 1991 Budget Act* (August 1992)
- 92-21 *Services for Students with Disabilities in California Public Higher Education, 1992. The Second in a Series of Biennial Reports to the Governor and Legislature in Response to Assembly Bill 746 (Chapter 829, Statutes of 1987)* (August 1992)
- 92-22 *Exchanging Students with Eastern Europe. Closing a Half-Century Learning Gap. A Report to the Governor and Legislature in Response to Assembly Concurrent Resolution 132 (Resolution Chapter 145, Statutes of 1990)* (August 1992)
- 92-23 *1992-93 Plan of Work for the California Postsecondary Education Commission. Major Studies and Other Commission Activities* (August 1992)
- 92-24 *Resource Guide for Assessing Campus Climate* (August 1992)
- 92-25 *Meeting the Challenge. Preparing for Long-Term Change in California Higher Education, by Warren H. Fox. Report of the Executive Director to the California Postsecondary Education Commission, August 24, 1992* (August 1992)
- 92-26 *California College and University Exchange Programs with Mexico. A Staff Report in Response to a Request from the 1991 United State-Mexico Border Conference on Education* (October 1992)
- 92-27 *Appropriations in the 1992-93 State Budget for Higher Education. A Staff Report to the California Postsecondary Education Commission* (October 1992)
- 92-28 *Legislation Affecting Higher Education During the Second Year of the 1991-92 Session. A Staff Report to the California Postsecondary Education Commission* (October 1992)
- 92-29 *Eligibility and Participation in California's Public Universities in the Year 2000. Projections by the Staff of the California Postsecondary Education Commission* (October 1992)
- 92-30 *Proposed Construction of Folsom Lake College in the Los Rios Community College District. A Report to the Governor and Legislature in Response to a Request from the Chancellor's Office of the California Community Colleges* (December 1992)
- 92-31 *Proposed Construction of the Lompoc Valley Center in the Allan Hancock Joint Community College District. A Report to the Governor and Legislature in Response to a Request from the Chancellor's Office of the California Community Colleges* (December 1992)